

## Chapter 4:

### Post Contract Award

#### **4.1 -- Implementation of Contract Work Breakdown Structure**

The contract work breakdown structure included in the successful proposal serves as the basis for negotiating an approved Contract WBS. The contractor may have proposed alternate approaches to accomplish the contract objectives. If the alternatives are accepted by the project manager, the Program WBS will require revision to reflect the changes. Those revisions may, in turn, affect the contractor's proposal.

##### **4.1.1 -- Contract Work Breakdown Structure Approval and Contract Award**

Following approval of the negotiated contract, including Contract WBS, the contract is awarded. The requirement for providing the WBS Dictionary is placed in the contract data requirements list (CDRL). While early and accurate work breakdown structure planning should be emphasized, additional work breakdown structure revisions may result from expansion or contraction of the program or the contract during various stages. That is, further elements selected for the contract will become the basis for contractor extension during the contracted effort as both parties become more knowledgeable about the effort. Although there is no limitation on the number of additional elements that could be added, each should be justified in terms of its contribution to efficient decision making. All extensions must be incorporated into the Contract WBS reporting level in the contract.

***Note:** Normally, once work is underway after contract award, changes to the work breakdown structure should not be made unless major rescoping of the program occurs.*

Users of this handbook should understand that the sequence described in the preceding paragraphs may be repeated as the program evolves, contracts are awarded, and the work effort progresses through major program phases. Revisions to the work breakdown structure are an essential component of this process. Whenever the work breakdown structure is revised, the ability to crosswalk and track back to the previous work breakdown structure needs to be maintained.

#### **4.2 -- Specification of Relationships**

The contractor maintains the Contract WBS, including change traceability. In accordance with the contract terms, only changes approved by the program manager may be incorporated. The contract will indicate the levels of contract work breakdown structure at which costs will be reported to the government. The contractor should determine those extended Contract WBS levels which are used to trace the cost accumulations for cost control purposes. In the extensions, consideration should be given to the specific contractual, technical, and managerial requirements of the defense materiel item. The contractor has complete flexibility to extend the

Contract WBS below the reporting requirement to reflect how work is to be accomplished, assuming the additional elements are meaningful product-or management-oriented indentures of a higher-level element.

#### **4.3 -- Basis for Scheduling Resources**

Within the scope of the Contract WBS, the contractor has flexibility to use the work breakdown elements to support on-going management activities. These may include contract budgeting, cost estimating, and the development of historic data bases.

##### **4.3.1 -- Contract Budgeting**

Funds management involves periodic comparison of actual costs with time-phased budgets, analysis of performance variances, and follow-up corrective action. When work breakdown structure elements and the supporting work are scheduled, a solid base for time-phased budgets is made. Assigning planned resource cost estimates to scheduled activities (tasks) and summarizing by work breakdown structure element by time period results in a time phased program/contract budget, which becomes the performance measurement baseline.

##### **4.3.2 -- Cost Estimating**

Use of the work breakdown structure for cost estimating facilitates program and contract management. The work breakdown structure aids the program office in planning, coordinating, controlling, and estimating the various program activities. It provides a common framework for tracking the estimated and actual costs during the performance of each contract. The data from the various program contracts support the DoD program manager in evaluating contractor performance, preparing budgets, and preparing program life-cycle costs.

##### **4.3.3 -- Data Bases**

Cost information collected by work breakdown structure element can be used for pricing and negotiating contracts and contract changes and for follow-on procurement. DoD is accumulating a growing cost data base of similar work breakdown structure elements from different programs. This historical cost data can be used for regression analysis, developing learning curves, and other techniques for estimating the cost requirements for like elements of new programs. Actual cost data collected by DoD on each program when compared to the original estimates can identify trends and establish the validity of estimating techniques. Contractors will similarly benefit from such data bases. The cost history accumulated on their programs can assist them in estimating and bidding future contracts and in budgeting new work.

##### **4.3.4 -- Summary**

In conclusion, the contract work breakdown structures that result from procurements like these are not intended to be standardized. Any logical product-oriented WBS developed by the contractor will meet DoD needs for reasonably consistent program data.

The work breakdown structure format was never intended to be enforced verbatim, but rather to be used as a starting point for continued tailoring. Rigidity of task procedures and superfluity of data are issues to be resolved before solicitation release, or at least before contract award.

After contract award, at each point in the acquisition cycle, the Contract WBS provides the framework for delineating the areas of responsibility regarding funding, schedules, and future contract performance, and for integrating total program requirements.

### **Concluding Material**

Custodians:

Army -- MI

Navy -- NW

Air Force -- 10

Review Activities:

Army -- AR, AT, AV, CR

Navy -- AS, MC, OS, SH

Air Force -- 11, 16, 19, 70, 71, 80, 82, 84

Preparing Activity:

OSD-WB

(Project No. MISC-0246)